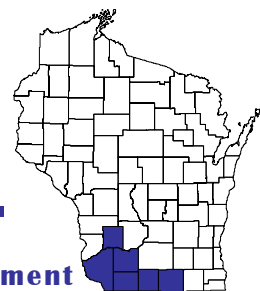


WORKFORCE OBSERVATIONS

for the Southwest Wisconsin counties
Grant, Green, Iowa Lafayette, Richland and Rock



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Quick notes:

- > Population projections suggest that the 50- to 64-year-old cohort will become a much larger share of the working age (15 to 64-year-old) population between 2005 and 2015.
- > Employer reports from 2001 through 2005 show that the number of workers in the 25 to 34 cohort is shrinking, as is the number of workers in the 35 to 44 cohort.
- > Meanwhile, the number of workers in the 45 to 54 cohort is increasing, as is the number of workers in the 55 to 64 cohort.
- > As more baby boomers pass their mid fifties, their declining labor force participation rates will eventually push down the number of older workers.

An aging workforce: challenges and opportunities

Introduction

Since 1963, each year the President has proclaimed May to be Older Americans month. This issue of the *Workforce Observations* will examine population cohorts that belong to or will soon belong to this important group.

Some commentators suggest that underfunded retirement plans, rising health care costs, longer life expectancy and increasingly fierce debates over Social Security and Medicare will encourage baby boomers to work longer than their predecessors. For the latter half of the twentieth century each generation of workers tended to retire earlier than preceding generations. Even if this trend were to change, it would take an extraordinarily dramatic and sustained trend reversal to come close to compensating for the absolute numbers of people approaching traditional retirement ages.

Population Projections

The graph below shows what share of each county's working-age population (which it defines as 15 to 64 years old) is 50 to 64 years old. While labor force participation does not fall as sharply at 55 as it does at 65, significant declines in labor force participation generally do begin as a cohort reaches its mid-fifties. (More on this later.)

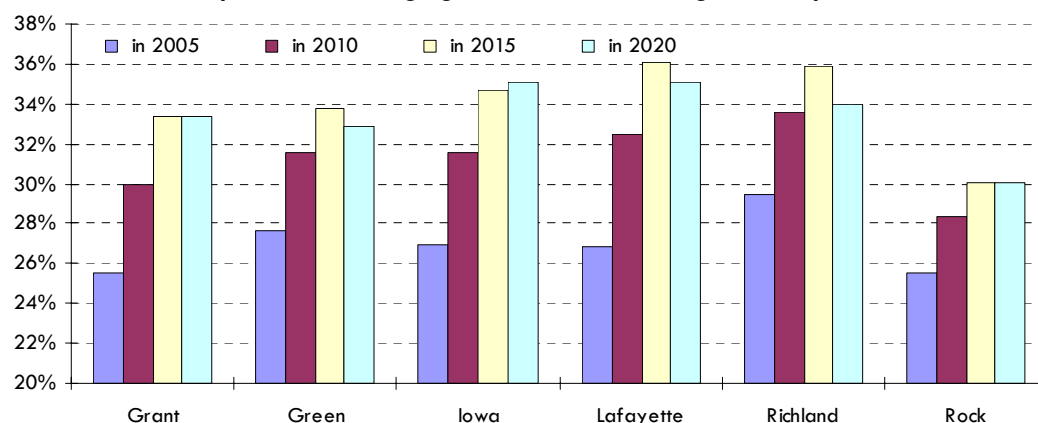
The graph below displays higher columns for Lafayette and Richland counties than for Rock County, meaning that the 50- to 64 cohort will be a larger share of the working-age population in the former than in the latter. This could increase employers' staffing and recruiting challenges. Rock County employers should remember how much they rely on commuters from neighboring counties and should notice that every county in the region (including Rock) will see 50- to 64-year-olds become a bigger share of the working-age population.

The graph shows most of the increase occurs between 2005 and 2015 with much milder changes between 2015 and 2020. This reflects baby boomers passing from the later working years into the early retirement years, when their labor force participation rate is likely to fall further.

Evidence from today's workforce

For readers who are not persuaded by historical retirement trends or population projections, we can turn our attention to the most current data available from the Census Bureau's Local Employment dynamics program. The graph at the top of page 2 shows that the last four years have seen significant decreases in the number of Southwest Wisconsin workers in

Proportion of working-aged residents (15-64), aged 50-64 years



Source: Wisconsin Department of Administration, Demographic Services Center

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age groups between 25 and 44. The number of workers between the ages of 35 and 44 has fallen from 30,627 in the first quarter of 2001 to 27,490 in the first quarter of 2005. Over the same time period, the number of workers aged 55 to 64 years grew from 12,597 to 15,302. This reflects large numbers of baby boomers reaching and passing the age of 55. As more of them cross the 60 borderline, their falling labor force participation will overtake their growing numbers to shrink the number of available workers in the 55 to 64 cohort. The proof of this is in the fact that year-to-year increases in the number of 55- to 64-year-old workers is small in comparison to the gap between the numbers of 45- to 55-year-old workers and the numbers of 55- to 64-year-old workers. This is why it would take a sharp and sustained reversal of long-established historical trends to compensate for the large numbers of people approaching traditional retirement ages.

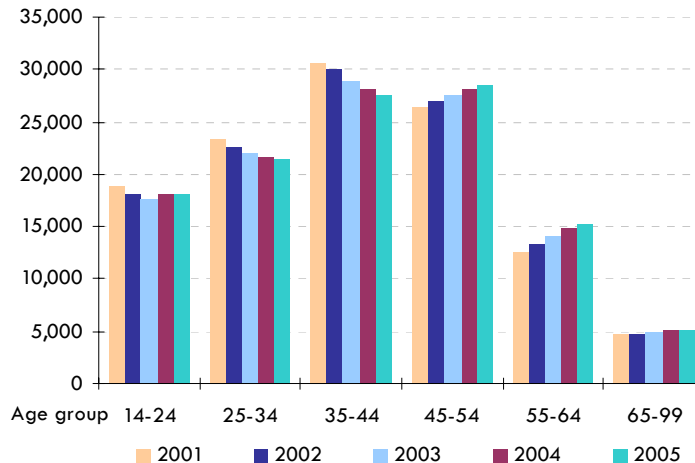
Hard-hit occupations

Older workers are particularly important to some occupations. In the graph to the right, horizontal bars show how many Southwest Wisconsin workers in each occupation were 50 to 64 years old as of the 2000 Census. The column further right indicates what proportion of the occupation's total workforce the 50- to 64-year-old workers constitute.

In Southwest Wisconsin, 489 secretaries and administrative assistants (30 per cent of the occupation's total) and 300 bookkeeping, accounting & auditing clerks (33 percent of the occupation's total) were 50 to 64 years old. Dealing with computing ad communications advances very directly, clerical and administrative professionals know as much as anyone about how their employers deal with change.

As Southwest Wisconsin sees 1,114 (or 25%) of its farmers & ranchers, 237 (or 31%) of its agricultural managers and 229 (or 10%) of its other agricultural workers approach retirement, it is not clear who will fill their shoes. Some land will shift from agricultural to residential, commercial or industrial uses. If younger locals do not pursue these occupations, employers could look elsewhere for labor.

Age of Southwest Area Workers in First Quarter



Source: U.S. Census Bureau, Local Employment Dynamics

The aging population seen on page 1 will drive up demand for health care just as 219 (or 19%) of the area's registered nurses and 332 (or 33%) of the nursing, psychiatric & home health aides approach traditional retirement age. Long, odd hours and physical demands can

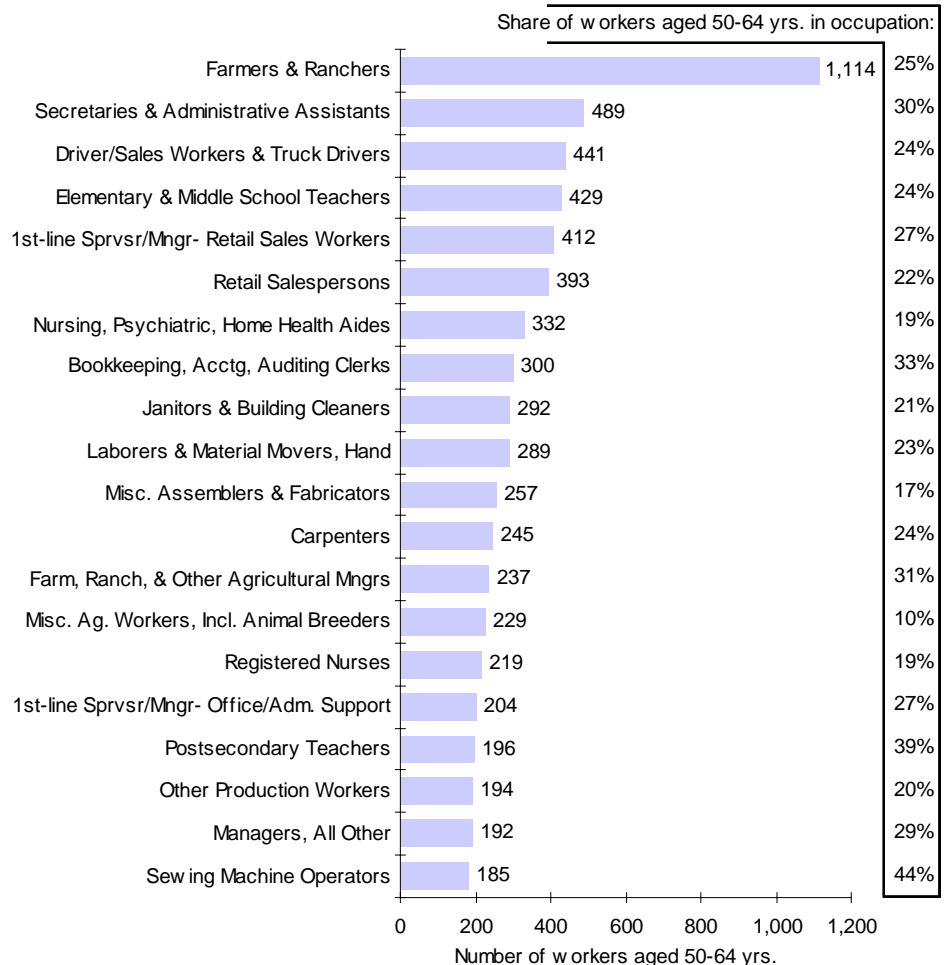
make it difficult to convince healthcare workers to delay retirement. Higher turnover among younger workers and the increasing importance of nurses aides and home health aides suggest that these figures might not fully capture the challenges ahead.

Opportunities

Some employers will stay ahead of their competitors by addressing the onslaught of retirements by planning for succession and mentoring younger workers to fill their elders' shoes. Some employers will find niches in providing training and staffing services

that facilitate transitions. Some employers will provide services of particular interest to older residents. Some employers will use technology, trade and outsourcing to do more with fewer local workers. Though potentially critical, the role of migration is unclear.

Occupations with many Southwest Wisconsin workers 50 to 64 years old



Source: US Census 2000, Public Use Microdata file

In January and March of 2006, **Grant County's** unemployment rate was further below its typical level than it had been in the previous three quarters and February's rate was also well below its typical level. The retail & wholesale trade employment estimate remains high after strong increases last autumn. The manufacturing employment estimate remains below its level from 1 year ago and below its level from 2 years ago. Its March increase was smaller this year than in 2004 or 2005.

Since spiking well above its typical rate in December 2005, **Green County's** unemployment rate has settled down much closer to its typical levels in the first quarter of 2006. (Still, this is not as encouraging as the below-typical rates posted last March, April and June.) The last 12 months of manufacturing employment estimates have been flatter than the previous 12 months. From March 2005 to January 2006, the education & health services employment estimate was below its year-ago levels; February and March of 2006 marked its return to above-year-ago territory (although still below the February and March estimates from 2004).

From May through December of 2005, **Iowa County's** unemployment rate was above its typical level. Despite rising as it usually does in the winter, the rate did not rise as high as usual this winter and therefore remained below its typical levels for the first quarter of 2006.

The Madison Metropolitan Statistical Area (which includes Columbia, Dane and Iowa counties) has seen strong growth in its manufacturing employment estimate over the last six months. Strong employment estimates in wholesale trade did not make up for softer ones in retail trade in the first quarter.

Over the last 12 months **Lafayette County's** unemployment rate has generally followed typical seasonal trends, sometimes dipping below typical levels, sometimes popping above, so a March rate equaling their typical rate is unsurprising. Through November of 2005, the retail & wholesale trade employment estimate was well above its year-ago level; from December 2005 to March 2006 it lost steam. The leisure & hospitality employment estimate had been well above its year-ago level for most of 2005, but January 2006 saw a dip not seen in 2004 or 2005 estimates.

Except April and November 2005, most of the last 12 months have seen **Richland County's** unemployment rates below their typical levels, with the first three months of 2006 posting rates further below typical than the preceding nine months. Most industries' employment estimates continue to follow trends relatively similar to trends seen over the last 12 months and the 12 months before that. January and February declines in the financial activities employment estimate would be one of the exceptions.

Rock County's unemployment rate began 2006 somewhat below its typical level, as it was for much of 2005. Employment estimates for the information sector and the professional & business services sector have been flatter over the last 12 months than over the previous 12 months or the 12 months before that. Wholesale trade employment estimates for the first quarter of 2006 showed no gain over estimates for the first quarter of 2005 which suggest less vigor than the preceding three quarters whose estimates were all above their respective year-ago levels. Much the same can be said of leisure & hospitality employment estimates.

Southwest Wisconsin Unemployment Rates: Typical and Actual (not seasonally adjusted)

		Mar 2005	Apr 2005	May 2005	Jun 2005	Jul 2005	Aug 2005	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006
Grant County	Actual	5.6%	4.3%	4.0%	4.6%	4.0%	3.9%	3.4%	3.2%	3.6%	4.1%	4.6%	5.7%	5.3%
	Typical	6.0%	4.9%	4.1%	5.0%	4.5%	4.5%	3.6%	3.6%	3.8%	4.2%	5.8%	6.1%	6.0%
	Difference	- 0.4%	- 0.6%	- 0.1%	- 0.4%	- 0.5%	- 0.6%	- 0.2%	- 0.4%	- 0.2%	- 0.1%	- 1.2%	- 0.4%	- 0.7%
Green County	Actual	5.3%	4.4%	4.1%	4.4%	4.5%	4.0%	3.6%	3.3%	3.5%	3.8%	4.9%	5.7%	5.4%
	Typical	5.3%	4.5%	4.1%	4.5%	4.3%	3.5%	3.2%	3.0%	2.9%	2.8%	4.7%	5.3%	5.3%
	Difference	0.0%	- 0.1%	0.0%	- 0.1%	0.2%	0.5%	0.4%	0.3%	0.6%	1.0%	0.2%	0.4%	0.1%
Iowa County	Actual	5.9%	4.1%	4.0%	3.9%	3.3%	3.3%	3.4%	2.9%	3.5%	4.4%	5.3%	6.1%	5.9%
	Typical	6.2%	4.1%	3.2%	3.4%	3.1%	2.8%	2.6%	2.5%	2.8%	3.5%	5.5%	6.4%	6.2%
	Difference	- 0.3%	0.0%	0.8%	0.5%	0.2%	0.5%	0.8%	0.4%	0.7%	0.9%	- 0.2%	- 0.3%	- 0.3%
Lafayette County	Actual	5.5%	4.0%	3.8%	4.3%	3.7%	3.5%	3.3%	3.1%	3.4%	3.8%	4.9%	5.9%	5.5%
	Typical	5.5%	4.4%	3.7%	4.5%	3.9%	3.8%	3.2%	3.2%	3.3%	3.4%	5.0%	5.6%	5.5%
	Difference	0.0%	- 0.4%	0.1%	- 0.2%	- 0.2%	- 0.3%	0.1%	- 0.1%	0.1%	0.4%	- 0.1%	0.3%	0.0%
Richland County	Actual	5.5%	5.0%	3.9%	4.1%	3.7%	3.4%	3.4%	3.2%	3.9%	4.5%	4.7%	5.5%	5.2%
	Typical	6.1%	4.6%	3.7%	4.3%	3.9%	3.6%	3.5%	3.4%	3.9%	4.4%	5.5%	6.3%	6.1%
	Difference	- 0.6%	0.4%	0.2%	- 0.2%	- 0.2%	- 0.2%	- 0.1%	- 0.2%	0.0%	0.1%	- 0.8%	- 0.8%	- 0.9%
Rock County	Actual	5.9%	5.3%	5.0%	5.4%	8.7%	5.0%	4.7%	4.5%	4.8%	5.0%	5.4%	5.9%	5.6%
	Typical	6.1%	5.3%	5.4%	6.0%	7.0%	5.4%	5.0%	5.0%	4.8%	4.4%	6.5%	6.4%	6.1%
	Difference	- 0.2%	0.0%	- 0.4%	- 0.6%	1.7%	- 0.4%	- 0.3%	- 0.5%	0.0%	0.6%	- 1.1%	- 0.5%	- 0.5%

** Includes labor force participants residing in area. Estimates are **NOT** seasonally adjusted. Current month estimates are preliminary and subject to revision. Numbers 2,000 and greater are rounded to nearest 100. Numbers under 2,000 are rounded to nearest 10. Sub-units may not add to totals due to rounding. Calculations are based on unrounded numbers. Results are rounded. For more information call (608) 242-4885 or email dan.barroilhet@dwd.state.wi.us.

Southwest Wisconsin Employment-by-Industry Estimates - not seasonally adjusted

	Grant			Green		
	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005
Total jobs, all industries*	18,000	- 240	- 1.3%	15,300	530	3.6%
Const., min'g & nat. resources	540	- 10	- 1.8%	530	20	3.4%
Manufacturing	2,500	- 70	- 2.8%	3,500	140	4.2%
Trade (w wholesale & retail)	2,900	190	7.2%	2,800	30	1.2%
Transport, Wrhsing, Utilities	440	0	- 0.4%	330	20	5.9%
Financial activities	1,030	60	6.7%	430	0	1.0%
Education & health services	2,500	20	0.9%	2,100	20	0.8%
Leisure & hospitality	1,280	- 80	- 5.7%	1,060	- 20	- 1.6%
Info, prof, bus. & other srvcs	2,200	20	1.0%	2,600	360	16.5%
Government	4,600	- 380	- 7.5%	1,990	- 50	- 2.3%
	Madison MSA <small>includes Columbia, Dane and Iowa counties</small>			Lafayette		
	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005
Total jobs, all industries*	342,400	0	2.0%	3,500	- 100	- 2.7%
Const., min'g & nat. resources	16,100	1,030	6.9%	120	0	1.4%
Manufacturing	33,500	1,830	5.8%	510	20	4.0%
Trade (w wholesale & retail)	50,700	- 400	- 0.8%	750	10	0.9%
Transport, Wrhsing, Utilities	8,600	200	2.4%	180	0	- 0.9%
Financial activities	28,800	- 130	- 0.5%	140	- 10	- 6.2%
Education & health services	35,200	1,400	4.1%	230	10	2.5%
Leisure & hospitality	27,600	- 630	- 2.2%	260	10	2.3%
Info, prof, bus. & other srvcs	61,500	0	5.5%	310	0	- 1.4%
Government	80,500	370	0.5%	1,000	- 120	- 10.8%
	Richland			Janesville MSA		
	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005	Jan-Mar 2006 average	Change from Jan- Mar 2005	Change from Jan- Mar 2005
Total jobs, all industries*	6,200	20	0.3%	68,300	1,130	1.7%
Const., min'g & nat. resources	150	0	2.1%	3,500	430	14.3%
Manufacturing	1,710	- 20	- 1.0%	14,400	670	4.8%
Trade (w wholesale & retail)	1,160	10	1.1%	12,700	430	3.5%
Transport, Wrhsing, Utilities	130	0	0.8%	3,000	- 130	- 4.3%
Financial activities	160	- 20	- 13.0%	2,100	100	5.0%
Education & health services	770	20	2.4%	9,000	- 170	- 1.8%
Leisure & hospitality	400	- 20	- 5.2%	6,000	- 100	- 1.6%
Info, prof, bus. & other srvcs	590	50	8.8%	9,100	100	1.1%
Government	1,170	0	0.1%	8,600	- 200	- 2.3%

*Includes jobs with employers in area. Estimates are NOT seasonally adjusted. Current month estimates are preliminary and subject to revision.
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